

GRIDLIANCE



## Michigan Legislative Briefing

Competitive Transmission Overview

May 2017

## Overview and Introduction

- Founded in 1990, LS Power is a power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution
  - Approximately 200 employees with offices in MO, CA, NJ, and NY
- LS Power has invested over \$30 billion to construct and acquire energy infrastructure since 2005
  - Actively developing both power generation and transmission infrastructure to serve the need for new generation and improve the functionality, reliability and efficiency of the aging transmission system
- LS Power's core operating philosophy is based on proactive management to drive safe, reliable operations while executing asset optimization initiatives

### LS Power

#### Generation Development (LS Power Development)

- Over 9,000 megawatts (MW) of power development experience
- Active ongoing development of renewable and fossil generation resources

#### Transmission Development (LS Power Development)

- One Nevada Line – 281 mile, 500kV line in Nevada to support renewable resources
- Cross Texas Transmission – 330+ miles, double circuit 345kV lines in Texas
- Active transmission development pipeline throughout United States

#### Energy Investment (LS Power Equity Advisors)

- Over \$6 billion in private equity capital dedicated to the power sector through three funds
- Acquired over 23,000 MW of power generation

### Functional Expertise

CRM / Asset  
Management

Project  
Development

Engineering &  
Environmental

Regulatory &  
Transmission

Power  
Marketing

Project finance

Tax /  
Accounting

M&A

## Project Portfolio

Extensive development and operating experience across multiple regions, markets and technologies



## GridLiance Introduction

- Incorporated in 2014, GridLiance is the first independent transmission business primarily focused on working with municipal utilities, joint action agencies and electric cooperatives (Public Power)
  - We work with our Public Power partners to develop unique solutions to their transmission needs including providing access to renewable energy
  - GridLiance currently owns and operates 400 miles of transmission lines and related facilities in Oklahoma and will shortly close on facilities in Nevada and Missouri
  - GridLiance enjoys long-term partnerships with Public Power members in Nevada (closing Q3 '17), Missouri, Oklahoma, and Kansas
  - Experienced, proven leadership team with strategic and financial support of Blackstone Energy Partners, L.P. – a leading energy infrastructure investor
  - Independent board members – Terry Boston (former CEO, PJM Interconnection, LLP) and Mike Morris (former CEO, American Electric Power Co.)
- GridLiance is backed by the energy funds of private equity giant the Blackstone Group



## Competition Delivering Ratepayer Benefits

- Incentive to reduce project cost
- Technical and commercial innovation
- Cost containment (even with lower cost)

Project	Region	Planning Estimate	Cost Cap	Savings
Suncrest Project	CAISO	\$50 to \$75 million	\$42.2 million	15-43%
Estrella Project	CAISO	\$35 to \$45 million	\$24.5 million	30-45%
Delaney to Colorado River	CAISO	\$337 million	\$241 million	28%
Harry Allen to Eldorado	CAISO	\$159 million	\$147 million	8%
Walkemeyer-North Liberal	SPP	\$16.8 million	\$7.4 million <sup>1</sup>	54%
Duff-Coleman	MISO	\$60 million	\$47 million	28%

(1) Lowest capital cost with cap identified by SPP, however this bid was not selected

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4

## 2015 – Qualified Transmission Developers

- There are many Qualified Transmission Developers in MISO and PJM, and the majority are affiliates of national and MISO/PJM incumbents

### MISO

- AEP Transmission Holding Company, LLC
- Abengoa Transmission Holdings, LLC
- ALLETE, Inc. d/b/a Minnesota Power
- Ameren Transmission Company of Illinois
- American Transmission Company, LLC
- Brookfield Infrastructure Group Corporation
- Cleco Power LLC
- Duke Energy Business Services, LLC for Duke Energy Indiana, Inc.
- Duke-American Transmission Company, LLC
- East Texas Electric Cooperative, Inc.
- Edison Transmission, LLC
- Entergy Arkansas, Inc.
- Entergy Gulf States Louisiana, L.L.C.
- Entergy Louisiana, LLC
- Entergy Mississippi, Inc.
- Entergy New Orleans, Inc.
- Entergy Texas, Inc.
- Eversource Energy Transmission Ventures, Inc.
- Exelon Transmission Company, LLC
- Great River Energy
- GridAmerica Holdings, Inc.
- Hunt Transmission Services LLC
- Icculus, Corp.
- Indianapolis Power & Light Company
- International Transmission Company d/b/a ITC Transmission
- ITC Midcontinent Development, LLC
- ITC Midwest LLC
- Michigan Electric Transmission Company, LLC
- MidAmerican Energy Company
- Midcontinent MCN, LLC
- Midwest Power Transmission Arkansas, LLC
- Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services
- Missouri Joint Municipal Electric Utility Commission
- Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
- NextEra Energy Transmission, LLC
- NextEra Energy Transmission Midwest, LLC
- Northern Indiana Public Service Company
- Northern States Power Company, a Minnesota corporation
- Northern States Power Company, a Wisconsin corporation
- Otter Tail Power Company
- Pattern Transmission LP
- Public Service Enterprise Group Incorporated
- Republic Transmission, LLC
- South Mississippi Electric Power Association
- Southern Indiana Gas & Electric d/b/a Vectren Energy Delivery of Indiana
- Superior Water, Light and Power Company
- Transource Energy, LLC
- Xcel Energy Transmission Development Company, LLC

### PJM

- Atlantic Grid Holdings, LLC
- Dayton Power and Light Company
- Virginia Electric and Power Company
- Dominion High Voltage MidAtlantic, Inc.
- Exelon Corporation
- American Electric Power Company
- LS Power Group
- Public Service Electric and Gas Company
- Pepco Holdings, Inc.
- East Kentucky Power Cooperative
- FirstEnergy Corporation
- Clean Line Energy Partners, LLC
- PPL Electric Utilities Corporation
- Duke Energy
- Northern Indiana Public Service Company
- i-to-i Transmission, LLC
- Duke-American Transmission Company, LLC
- Duquesne Light Company
- NextEra Energy Transmission, LLC
- Ameren
- ITC
- ODEC

SOURCE:  
MISO and PJM websites

5

## Competition Brings Innovation

- Commercial Innovation
  - Overall shift of cost risk from ratepayers to developer
  - ROE caps (including for life of project) and forgoing ROE incentives
  - Cap on amount of equity in capital structure
  - Strategic partnerships
  - Market moving to cost containment – 10 of 11 Duff-Coleman Bids (see summary table below from MISO Selection Report)

Summary of Cost Caps, Concessions, and Commitments

Uncertainty	101	102	103	104	105	106	107	108	109	110	111
ROE		✓		✓			✓	✓	✓	✓	
Capital Structure		✓		✓							✓
Implementation Costs	✓ <sup>i</sup>	✓ <sup>i</sup>	✓	✓ <sup>ii</sup>		✓	✓	✓	✓	✓	✓ <sup>iii</sup>
Operations and Maintenance Costs				✓							
Inflation Rate			✓			✓		✓			✓
Rate Concessions						✓					✓

- i. Limited duration ROE cap  
 ii. Cap on weighted average cost of capital (includes ROE), limited duration  
 iii. No ROE cap, but will forego ROE incentive adders in net at PEGC filing  
 iv. APUDC is not included in the cap  
 v. Only a portion of construction costs are capped

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Table 2-1: Summary of Cost Caps, Concessions, and Commitments



6

## Michigan Should Encourage Cost Containment Proposals from the Marketplace

- Without competition windows, there is no cost containment proposed and limited innovation from marketplace
- Michigan should support competitive pressure in the transmission planning process
- Michigan should oppose excluding projects from competitive pressures
  - MISO baseline reliability projects
  - PJM supplemental projects
  - Oppose changes in cost allocation that limit competition of appropriately cost-shared transmission projects
  - Reduce or eliminate voltage restrictions on competition
  - Public policy projects should be competitive
- Oppose anti-competitive state restrictions

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7

## Conclusion

- ◆ Recommendation – To benefit from increased investment in transmission infrastructure, Michigan should take the following steps:
  1. Revise the definition of “independent transmission company” to allow new entrants to apply for MI PSC approval to construct transmission
  2. Clarify that any holder of an approved MI PSC transmission line certificate shall possess eminent domain authority
  3. MI PSC retains full authority over who is issued a certificate to construct transmission; states rights are not diminished
- ◆ Benefits to Michigan – Competitive transmission will lead to:
  1. Lower transmission costs in customer rates
  2. Increased system reliability
  3. Increased economic activity, including job creation, incomes and tax revenues

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8

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Thank You

